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SUBJECT: STRENGTHENING AGRICULTURAL CREDIT IN AFGHANISTAN

¶1. Summary: There is broad agreement within the Afghan government and among donors that a dramatic increase in the availability of agricultural credit is critically needed to rebuild Afghanistan's agricultural sector. Recognizing this goal, the Minister of Agriculture, Irrigation and Livestock (MAIL) Mohammad Asif Rahimi, newly nominated this past week for another 5 year term, would like to consider a range of options on how best to accomplish this goal. He has also emphasized that this credit assistance should utilize new products and reflect a new model of doing business. End summary.

¶2. On December 8, Ambassador Wayne met with the Minister Rahimi to discuss the agriculture credit issue. Minister Rahimi said he is not against the resurrection of a "bank," but he is against the former bank management, former management practices and former products used by the bank. He requested the Embassy support a thorough study of the past model and of other institutions and models that may be better suited for Afghanistan today. Specifically, he said he mentioned options for a new public-private bank, a new public bank and for funding using private sector mechanisms perhaps with subsidized interest rates. After careful review of these options and consultation with his staff, the Minister said he would approve one of the credit options, based on their relative merits. He would then propose this option to the GIROA Ministry of Finance and to donors for funding. If the study demonstrated that there would be a benefit to a new public bank and to call the new institution the Agricultural Development Bank, Minister Rahimi said he has no objection, but it should have new management, new products and represent a new model.

¶3. Post would like to ensure that we are able to provide Minister Rahimi with a good assessment of several strong potential options for providing agricultural credit in Afghanistan, as he has requested. We may have a preferred option among the options we present, but it will solidify our relationship with this key minister to provide a range of options with pros and cons. Embassy would appreciate rapid USAID and USDA assistance in developing options.

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